U.S. Department of Agriculture
Extension Service
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THE WAY OUT FOR THE BEEF PRODUCER 1/

This subject, "The Way Out for the Beef Producer," could have a couple of very unfortunate meanings. However, I am sure these were not intended, and they will not be the basis of my discussion.

In the first place, I do not take the subject to imply that beef producers feel they have landed in a "bottomless pit with no lantern." Many of them certainly are shocked, and doing some serious thinking and planning, but not very many have been ruined.

Second, there is no indication that the big question in the minds of many beef producers is "How to get Out of the business," with minimum losses, as this title might also imply.

On the contrary, there is good evidence that cattle and beef producers are not too upset and jittery, and are not vindictive. A good deal of this realistic attitude probably could be traced to the influence of agricultural extension workers -- to the sound advice they gave many producers when they entered the beef-cattle business, and to the careful interpretations they have made of recent developments. There still is plenty of confidence and much sound thinking and talking about problems and opportunities. This is the right approach and, of course, the only way to determine "The Way Out for the Beef Producer."

As a background, let us first review some of the things that have happened, and where we are, in the beef business.

The number of beef heifers on farms started to increase five years ago, in 1948. Beef-cow numbers reflected that increase a year later, in 1949. From the low points in 1948-49 there has been a 41 percent increase in beef cows and heifers. This is a big increase, but not a record. The increase from 1939 to 1943, in a like period, was just as fast. Of course, the actual number far surpasses any past number. Total beef cows and heifers on farms last January of 28.9 million head were 34 percent above the previous peak in 1945.

In this increase there has been a considerable shift in the location of our country's beef-producing herds. In the past four years, beef-cow and heifer numbers have increased much faster throughout the Atlantic and South Central States.

1/ Address by: Oscar A. Day, Economist, Wilson & Co., Inc., Chicago, Ill., given at the Interregional Livestock Production and Marketing Conference, Knoxville, Tenn., June 16, 1953.

In the North Atlantic, South Atlantic and South Central States, excluding Oklahoma and Texas, the increase has averaged 70 percent, compared with 41 percent for the United States. Beef-cow and heifer numbers in these States are now 62 percent above the 1945 peak. The actual number, as well as the increase, is now highly significant, for over 20 percent are now in these eastern and southern areas.

Beef-cow and heifer numbers have also increased more in the Corn Belt than in the West, although not as fast as in the East and South. It is a significant fact that over 35 percent of all beef cows and heifers are now in the "East and Deep South," that is, east of the Dakotas, Nebraska, Kansas, Oklahoma, and Texas.

There are three points I should like to discuss on the significance of this proportion of our beef-producing herds in the "East and Deep South" area, as just defined.

First, I believe this is a sound development for producers. In other words, it reflects the good judgment of thousands of farmers in these areas.

While high prices and good incomes from beef cattle have aided and abetted the increase, I do not think that the increase primarily reflects opportunism, or short-term thinking. Predominantly, these increases have come from adding a beef-cattle enterprise to farm operations, or increasing beef cows for better balance.

Another widespread purpose has been to utilize increased acreages and yields of legumes and grasses, which have resulted from improved and expanded soil conservation practices. Certainly, we can all agree this is a good development. For several years, my Company, in its agricultural relations work and advertising, has used a slogan that pretty well summarizes this thought, which is, "Livestock and Proper Land Use are Natural Companions."

In addition, many sound, new beef-cattle farms have been established in recent years on abandoned and lower-grade land in the Middle-West, East, and Deep South. These operations, at least as a rule, are bringing this land back into use, or helping to balance man-hours per acre with productivity, and are improving and conserving our lands.

Therefore, greatly increased beef-cow numbers in the eastern and southern parts of the country is a sound long-term development which should be continued by most producers from the viewpoint of farm organization and management.

Second, I believe the location, character and importance of present-day beef-cattle production in these expanded areas will result in greater stability in production.

There are two reasons for expecting this greater stability in beef-cattle production. The most important is the lesser hazard

of adverse weather, particularly droughts, in the Middle-West, East and Deep South than in the Great Plains and Southwest. With generally more ample feed reserves and fewer failures over large areas, there should not be many times when beef-cattle will be seriously short of feed in the eastern half of the United States. Distress liquidation should be less frequent and widespread.

The other reason for expecting more stability is because of the extent to which the beef-cattle enterprise in these areas is only one of several enterprises on individual farms, yet constitutes a definite, needed item in a balanced program. This should mean, on the one hand, great reluctance to liquidate and, on the other hand, less pressure financially to reduce when the cattle business is poor. Other enterprises can "carry" the basic cattle production herd in these periods.

If this be the case, then our swings in the cycle of cattle marketings might be moderated significantly, and consumers could have a more regular supply of beef.

The third observation on the significance of more beef-cattle production in the Corn Belt, East and Deep South, is that there should be more flexibility in production and marketing. This is less tangible and probably less important than the other points mentioned, but nevertheless a point I would like for you, especially, to consider.

Typically, in these areas, beef production is a fully integrated operation on each farm, including feed production, cow management, calf-raising, cattle-finishing, and final sale directly for slaughter.

This set-up provides maximum opportunity for changing production costs and practices according to conditions. Variations can more readily be made in quality, weight and finish to meet the requirements of the market. Particularly in the South, there is more flexibility in calving time.

This opportunity for control and flexibility would seem to offer a special challenge to you beef-cattle production-and-marketing extension specialists in the East and South. Cattle producers, in general, can shift and change their production and marketing programs to fit current and foreseeable conditions as you determine these things through research and analysis, and advise them through extension.

Thus far we have only been discussing the question of the shift in the location of beef-cattle production, but, as you well know, some much more exciting things have happened in the past year on cattle marketings, beef production and prices.

The time has arrived when increased beef-cattle numbers have become apparent to beef consumers.

As numbers increased, cattle and calf marketings continued to decrease in 1949, 1950, and 1951, in typical cyclical fashion. In 1952, however, the tide began to turn and cattle slaughter was consistently and substantially higher than in 1951 beginning in July. This came primarily from increased marketings of steers and heifers off of grass, plus somewhat more cows. It was reflected in substantially lower prices for these kinds of cattle, whether they went to feeders or to slaughter, but not much decrease in the price of fed cattle.

With much lower feeder prices, but only moderately lower fed-cattle prices, there was a tremendous movement of cattle to feed-lots, including many calves. Slaughter of beef calves continued low.

Soon thereafter, consumers and cattle feeders began to realize there finally was more beef, and not a little more, but a lot more.

Cattle slaughter under Federal inspection was 22 percent larger in January 1953 than a year earlier and the increases continued to mount until the April slaughter was up 48 percent. For the five months, January-May, federally inspected cattle slaughter has been 32 percent higher this year than last year. Total commercial beef production has been up an estimated 28 percent.

This increased marketing, nearly all of which has been fed cattle, has been directly and fully reflected by lower beef prices, and, in turn, lower cattle prices. Again comparing the first five months of 1953 and 1952, wholesale carcass beef prices were down at Chicago 26 percent on Prime grade, 30 percent on Choice grade, and 32 percent on Good grade, and 32 percent on Commercial. Beef steers at Chicago reflected this decline in beef prices with a 32 decline in the weighted average for all grades.

Four important conclusions may be drawn from these changes of the past few months in beef production and prices.

First, high-level consumer income does not guarantee beef prices. I suppose no one has seriously said that it did, but there has been so much discussion of the importance of buying power to agricultural prosperity, that some may have more or less forgotten about supply, or minimized it. For example, the following statement is from a reputable Washington newsletter dated December 1, 1952: "Cattle price smash-ups come in depressions or business recessions. The demand side of the market equation is more important than the supply side when it comes to cattle prices. More than any other major commodity, cattle prices are tied to national prosperity."

As a matter of fact, consumer incomes in the first quarter of 1953 were 7 percent higher than in 1952. This time, for a change, we can hardly blame the consumer for lower cattle prices. One conclusion is that cattle and beef prices can be depressed without a depression.

While cattle prices have been depressed in the sense of a large decline, they are not really "in a depression." After all, we have just had a period of four or five years of unprecedented cattle prices in relation to other farm products. With all the downward adjustment of the past year, the farm price of beef cattle in May 1953 was still higher in relation to the price of all farm products than in 33 of the past 42 years. It was still as good as in 1947, when cattle slaughter was at a peak in the last cycle, and was nine percent higher than farm prices in general compared with the prewar average of 1935-39.

Superficially, we could dismiss these supply and price changes of the past few months with the summary observation that they have reacted about as should be expected. That is, cattle prices have declined just about in proportion to the increased supply. Actually, this would be incomplete and bypass a point which provides some encouragement for the future.

Closer analysis of the situation raises the question, Why have cattle prices declined in proportion to increased production, all things considered?

There have, in fact, been two independent factors in this period which should have moderated the effects of increased cattle marketings on cattle prices. First, we have already mentioned the higher disposable income of consumers. Studies of Karl A. Fox of the Bureau of Agricultural Economics 1/ indicate that this should have increased the farm price of cattle to the extent of at least $1.00 per hundredweight.

In addition, hog producers have been very "accommodating" to beef producers in arranging for less pork in the past few months than last year. Interpreting the analysis by E. J. Working, University of Illinois, 2/ this decreased supply of pork should have improved the farm price of cattle by $0.50 to $1.00 per hundredweight. For these two reasons, then, cattle prices might have been expected to be up close to $2.00 per hundredweight.

On the other hand, according to Fox's correlations of beef-cattle supply-price relationships 3/, the farm price of cattle should have been expected to decline more than the supply increased, considering changes in the supply alone. A 28 percent increase in supply should, according to past experience, mean a 34 percent decline in price, or about $9.50 per hundredweight in the past five months, compared with a year ago.

1/ "Agricultural Economics Research," vol. III, No. 3, p. 74, Table 5, July, 1951.

2/ "Studies in the Measurement of Demand with Special Reference to the Demand for Meat" -- Doctorate thesis, Harvard University, 1952.

3/ Fox, op. cit.

Adding these influences together indicates a decline in the farm price of beef cattle of around \$7.50 per hundredweight might have been expected under the circumstances, whereas the decline was nearly \$9.50. Therefore, it seems that cattle prices may have declined something like \$2.00 more than can be explained by statistical studies of past experience. Of course, these calculations all involve errors of estimates and assumed conditions that may have changed. At least some disparity, nevertheless, is indicated.

Actually, I believe this is a rational situation. It is consistent with our observations in selling beef in periods of rapidly increasing supplies, and has also been explained by E. J. Working, who has said, "....in the long run, the demand for meat is less inelastic than in the short run." 1/

A lag is to be expected in the change of meat demand, either with a change in supplies or in consumer incomes. Ordinarily, this is not important enough to be noticeable, but it becomes quite apparent when extreme changes occur.

Recent increases in beef supplies provide an excellent illustration. This merely means that it takes time for consumers to adjust their buying habits. Drastic price adjustments have been necessary to move this greatly increased supply of beef in this short period of time.

Beef is nearly all sold fresh and is very perishable. It had to be moved, and some bargains had to be offered. Consumers got more beef for slightly less dollars in the process. But this, I believe, is temporary. The conclusion is that people are getting accustomed to eating more beef, and in due time will spend just as large a proportion of their dollars for beef as before.

From this analysis, we are encouraged to believe that, as time goes on, and this lag in demand is eliminated, we should experience a better demand for the same supply of beef. We are already finding that the increased supply of beef is a little "easier" to sell.

I do not wish to overemphasize this second conclusion from recent experience, but it could be distinctly worthwhile to the cattle producer in a period of tight margins and uncertainty.

My third conclusion about recent cattle marketings bears on the nearby outlook. It appears that we have already seen the largest increases to be expected from the past season's cattle feeding operations. Fed-cattle marketings, for three months, have been well in excess of officially-indicated increases in the number on feed. The longer that fed-cattle marketings continue

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1/ "Appraising the Demand for American Agricultural Output During Rearmament," Journal of Farm Economics, vol. XXXIV, No. 2, p. 218, May, 1952.

at current levels, the greater becomes the probability of decreased supplies later. Finally, we understand that the unusual numbers of cattle on feed outside of the Corn Belt have been largely marketed. These, of course, were a big factor, especially in March and April. California beef dressers have lately been coming as far east as Sioux City, Iowa, for finished cattle.

Consequently, there is at least a good chance that quality beef supplies, sometime between now and early fall, will be smaller than in the past few months, and that the price may show some strength. To be realistic, however, we must keep in mind that there still are large numbers of cattle on feed in the Corn Belt, and especially light-weight yearlings which could come in earlier than usual if either the market becomes more attractive of if there is too much apprehension about fall prices.

The fourth and last point I wish to discuss on recent developments is that we have not yet entered the so-called liquidation phase of the current cattle cycle even though beef supplies have increased nearly 30 percent from a year ago.

These increases have come largely from cattle-feeding and primarily just reflect the increased capacity of our cattle-producing plant. There was no abnormal liquidation or selling of beef cows or calves last fall, which is the basic measure of a turn in the cycle of cattle numbers. Moreover, unless cattle slaughter the rest of the year is at a higher level than anyone now seems to expect, there will not be enough slaughter in 1953 to reduce total cattle on farms on January 1, 1954. This is the commonly accepted test of a change in the cattle cycle.

If the turn has not yet started, then what kind of beef supplies should we expect until marketings finally begin to decrease? As you know, slaughter must increase to reduce numbers, and it normally continues to increase for a year or two after January 1 numbers begin to decline.

I expect to see substantially increased marketings of all classes of grass cattle in 1953, including a substantial increase in beef-type cows, heifers and heifer calves. This year is likely to mark a definite change in the attitude on accumulating more beef-producing stock, even though numbers on farms, including beef cows, next January are expected to be somewhat higher. It is our opinion that this will foreshadow the stabilization of cattle numbers in 1954 and possibly a turn in the cycle. Maximum numbers on farms may not go much over 96 million head at the peak.

As early as the spring of 1952, the demand for beef breeding stock was curtailed, and net additions to beef-cow numbers in 1952 can be accounted for by heifers previously bred which were retained in herds.

In recent months there has been very little interest in beef cows, heifers, or heifer calves in the West. It seems quite clear that potential new producers have lost interest. Cattle numbers in many sections of the Great Plains and Southwest are now at a level which must require at least average weather, and grass and hay production, for sustenance. The drought in the Southwest last year, followed by a continuation this spring, has demonstrated this circumstance. Cow-marketing from that area has started several weeks ahead of normal. Federally inspected cow slaughter in April was the largest for that month since 1947.

There is considerable evidence that the cattle cycle has speeded up over recent years. Beef production has increased more rapidly than it did following low points of previous cycles. Both grass and fed cattle are being marketed younger and lighter. Cows, accordingly, represent a larger proportion of the inventory. Quite a few aged cows went back to the country from markets in the past three years, and are due back before long.

The precipitous decline in cattle prices of the past year certainly will affect the expectations and planning of some beef producers. In particular, I have in mind late-comers, some of the large ranchers and the feeders who might favor hogs, the price of which is higher than steers at midwest markets for the first time in six years.

Although I am discussing beef cattle, the dairy situation and prospects should not be overlooked. Approximately one-third of our supply of beef and veal comes from dairy herds, and over 40 percent of all cattle on farms are cows, heifers and heifer calves kept for milk. In view of the present dairy situation and the uncertainty of the future, particularly with reference to Government policies, it is at least a possibility that dairy cattle and calf numbers may also be turning downward soon.

For these reasons, in brief, we doubt if the current cattle cycle will last as long as might be expected from year-to-year comparisons with previous experience.

In considering future beef supplies it must be remembered that in the liquidation phase of the cycle, more cows, calves and light-weight cattle are marketed. Also, population is growing all the time. Peak slaughter of 38 to 38.5 million head of cattle and calves in 1955 would reduce the number on farms. It would be 10 percent more slaughter than the number we expect in 1953. Yet, the per capita production of beef and veal would only be up 4 percent from the annual rate of 80 pounds that has been consumed in the past few months. Therefore, at least on an annual basis, total beef and veal supplies per capita should not greatly exceed current levels if increased marketings can come along in an orderly way without a serious drought or panicky liquidation.

The level of cattle feeding next winter certainly is difficult to predict at this time. Unfavorable cattle-feeding results in 1952-53 and the alternatives in the midwest of taking a government loan on corn or feeding more of it to hogs, will tend to

reduce the demand for feeders.

However, if a large number of stocker and feeder cattle and calves are marketed this fall, a high level of feeding is likely to follow. There presumably is a price at which feeders will buy, regardless of past experience and alternatives. This was demonstrated last fall after a season when feeding results certainly had not been very good.

Again this fall, an important question will be the extent of slaughter demand for grass cattle, and the prospects are not very strong considering the increasing preference for block beef with a better finish, which I now want to discuss.

If large, or even larger, beef supplies are to continue for some time, then certainly this is the time to consider most seriously what the consumer wants. It looks as if the time is past when all it took was just "a piece of beef."

It probably would be no exaggeration to say that recent changes in beef merchandising will be about as significant in the long run as recent changes in beef supplies. I refer to the growth and effects of self-service meat retailing.

With self-service meats, consumers have full opportunity to express their preferences for quality, price per pound, weight and total value in a very direct, unmistakable way. Mrs. Housewife, going independently down along the meat counter, thinking and selecting what she wants, no longer needs to be compassionate with her butcher and say, "Well, that is just a little larger, or just a little fatter, than I had in mind, but I'll take it as long as you have it cut and weighed."

Now she simply does not pick up the "too-fat" piece of beef, or one too large for her immediate plans. So, the manager of the meat department, necessarily watching very closely the movement of these highly perishable packages, learns "right now" what his customers want.

And, what they want is small, "thin-skinned" steaks and light, meaty roasts. They want some marbling in the beef and they like a bright red color in the lean meat, but if there is very much fat on the cut, it better be trimmed off before the package is wrapped. It can't be "tucked in" anymore. If you have asked your butcher lately what he gets for shop fats, you will understand what it means to him when much fat has to be trimmed.

Then, consider the problem of making small, thick steaks, and light roasts from a big steer, and you have the picture. The demand is narrowing down, and fast, to carcasses and cattle of uniform, light weight, with good but not long fed finish.

This trend, actually, has been under way for a good while, although it has been hastened and accentuated by self-service merchandising. I have no definite way of describing the

importance of present-day and prospective preference for light-weight, thin-skinned, quality beef. But I venture you would be at least surprised if you could hear how strongly self-service meat retail buyers insist upon continually getting the same weight, quality and finish in their beef. They will pay quite a premium for it if necessary, or discount other kinds plenty if what they really want is not available.

In terms of live cattle, this means a concentrated demand for the top-Good and low-Choice grades, weighing up to about 1,100 pounds, but with plenty of quality in the meat and with a high proportion of lean meat to bone and fat.

The broadest demand is for the 900-to-1,100-pound range, or about 500-to-700-pound beef. Cattle with quality and a grain finish in the 700-900-pound live weight range also enjoy a very good demand, particularly in some rural areas, and there is a good possibility that the demand will broaden for this kind in the future.

On lighter weights, commonly referred to as "baby-beef," we are observing a different trend. To some extent, this may reflect the effects of increased supplies and bunched marketings of heavy calves, but probably supply is only a part of the problem.

On the demand side of the "baby-beef" situation, the increasing consumption of better beef in the South has certainly been an adverse factor. For example, only a few years ago, Miami was the only big market in the South for beef like consumers in the northern and eastern markets wanted. Now, however, most of the large southern cities and many of the smaller places are providing a substantial outlet for grain-finished beef. Jacksonville, Tampa, Atlanta, Montgomery, Birmingham, Mobile, and New Orleans, for example, are eating an increasing and surprising amount of heavier and better-finished beef than provided by 400-600-pound cattle and calves.

By this I do not mean there may be a vanishing market for "baby-beef," but it is quite evident that the market has limitations, both in terms of quantity and stability. Naturally, a larger quantity can be sold at some price, but that price may not represent the best net return obtainable by the producer. And if it has to be sold primarily to low-income consumers, there could be, over the years, considerably wider fluctuations in the demand than for the kinds desired by the middle and upper income groups.

This "baby-beef" problem has been accentuated both by the increased production in the South and by the bunched marketings in the summer and fall. Substantial discounts have been required in the last two years to move this beef.

A serious limitation in marketing these calves is that so many of them are not suited for further feeding to produce efficiently the weight and quality of beef we have described. Although calves

from milk-type cows, or from cows with some dairy breeding make conomical gains for producing baby beef, they are not desirable for feeding out as good to choice yearlings.

Considering the trend toward more cattle feeding in the South, there is, and likely will be, a broader market for good and choice feeder calves and yearlings in the South and East.

We have definitely found, in connection with obtaining many feeders for commercial demonstration projects around our plants at Memphis, Tennessee, and Dothan, Alabama, that locally produced feeders, of the right quality, do better in the South than similar feeders from the West or Southwest. This is another reason for increasing the production of quality beef calves in the south.

Fortunately, it seems to us, the kind of beef which has the broadest demand is practical and economical to produce over large areas of the country, and particularly in the East, South, and Middlewest. I shall mention five reasons.

In the first place, it means a quicker turnover than in producing older, long-fed cattle. This means less risk from price fluctuations for the finisher, whether he buys, or produces, his feeder cattle.

Second, it means that more grass can be used, because less finish is required, and that, therefore, the cost of production can be substantially reduced.

Third, it means that wider areas can produce or economically buy the limited amount of grain still needed to produce the kind of beef in greatest demand. Limited grain on "grass" or with roughage in the winter to maintain the degree of finish of the fall, plus grain on grass in the spring and summer, plus thirty to sixty days of dry-lot feeding, definitely will produce the desired weight and finish.

Fourth, I believe there is more flexibility in producing this kind of beef. It can be yearlings, sold at 700 to 900 pounds, or long yearlings and short two-year olds, marketed at 900 to 1,100 pounds. There is considerable flexibility on when they can be put in the dry-lot for finishing, especially for yearlings, depending on pasture conditions or the market situation. And, once they are on grain feed, they can be fed for thirty, sixty, ninety days or even more, depending on feed supplies, feed price relationships and market developments.

Finally, this beef is also the high-quality kind that should be most advantageous to the producer. I do not mean quality just on account of finish, but the quality characteristics that are associated with type, conformation, efficient gains and fleshing qualities to make tempting,. tender-looking beef.

In the period ahead, efficient beef production may be the difference between "staying in" or "getting out" -- between a fair profit and a serious loss. Quality is a prime consideration. Maximum use of grass and roughage is important in reducing costs, but superior-quality cattle are required in the grass-and-grain program to produce the quality of beef that consumers want.

Since finished beef is being shipped into the East and South throughout the year, local producers should have a distinct competitive advantage in feeding cattle when they can produce the grain required. Assuming other things are equal, they also have the freight differential to apply against the extra cost of imported grain. The freight rate, for example, on live cattle from Chicago is now $1.05 per 100 pounds to New York, and $1.81 to Jacksonville, Florida. On beef the rate from Chicago is $1.64 to New York, and $2.05 to Jacksonville.

There are, of course, numerous alternatives in beef production that may be followed, depending on the conditions in the various localities and on individual farms, ranches or plantations.

Climatical opportunities for fall calving would seem to merit serious consideration in the southeastern and southcentral States. Programs based on fall calves can take advantage of marketing when seasonal prices are relatively favorable.

If it is to be a cow-calf, "baby-beef" program, the calves may be marketed in the spring ahead of the normal rush.

Or, the calves may be given grain on grass in the spring and early summer, and finished on grain in the late summer or fall to produce light-weight better beef at a season when fed-beef supplies are not so large.

Another important advantage in fall calving is that old and off-quality cows may be marketed in the early spring when the cow market is highest.

As time goes on, we expect to see more cattle producers in the South and Southeast carry their spring calves over the winter, or sell them to feeders. This will be encouraged by local demand for yearling, finished beef. It will fit in with further improvements in grass and legume production and also with increased grain production that may be expected. Possible cotton-acreage allotments could be an important factor in causing more feed production in the south. Peanuts, although less extensively grown, may be in the same category. Oats, wheat and sorghums, of course, will be considered, as well as corn.

More definite planning for winter feed seems to be needed in the South for this program. It is not safe to rely on year-round pastures and, of course, special forage crops will generally be needed to provide winter pastures. In addition, provision needs to be made for hay or grass silage for use whenever it is too wet,

too dry or too cold for grazing. The cattlemen in the South will need to recognize the importance of feed reserves just as they have in other major producing regions.

It is highly important that these calves shall continue to grow and gain all the time. "Shrinking" them, even a month or two, is expensive in the long run on the quality of cattle needed to make efficient gains and the right kind of beef, with maximum use of grass. "Roughing" may be left for the plainer cattle, of which there will be plenty--at least in the near future, when beef supplies are relatively large and cows are plentiful.

Although climatical conditions provide important advantages for beef producers and feeders in the South, the same climate increased the problem of diseases and parasites. Special attention is necessary to avoid or control these hazards. I am sure, however, that you have this in mind and realize how important it is in efficient beef production.

It has already been demonstrated over wide areas that cattle can be produced and fed in the South that will sell in competition with northern beef. The only complaint we have is that there is not enough of it, either for our customers or for our plants.

In summary, I believe the Way Out for the Beef Producer is through producing what his nearest consumer wants, as cheaply as possible. This becomes more important both to the producer and consumer when supplies are plentiful.

As you all know, from personal experience and observation, there have been very few times in the beef-cattle business, or any other large-scaled farm enterprise in this country, when the most efficient, well-informed producers did not make a fairly respectable income for their efforts.

Variations between individuals in their cost of producing calves or feeding cattle are very great. These may be narrowed down considerably in the next few years, as the highest-cost producers give up. Eventually this will accrue to the benefit of those who stay on the job by capitalizing on opportunities to cheapen their costs, plan their marketing and, while prices are lower, improve their herds.

Processors in the East and South certainly hope, and really expect, that as a result of your efforts and the sound opportunity for producing beef in these areas, the industry will not be discouraged but rather recognize the truth of an old saying that "Those who follow the crowd are quickly lost in it."